



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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Fifth District

June 15, 2005

To: Supervisor Gloria Molina, Chair
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

SACRAMENTO UPDATE

State Budget Action

Today, the State Assembly convened to vote on the FY 2005-06 Budget Bill, SB 77, which was approved by the Budget Conference Committee on a party line vote last Friday. The Budget Bill requires a two-thirds vote for passage, but it failed by a partisan vote of 45 to 32. The vote on SB 77 was followed by a lengthy discussion on AB 6 (Chan) which proposes to increase the personal income tax brackets to fund education. AB 6 also failed to pass by a partisan vote of 46 to 32. Reconsideration was granted on both bills.

The Assembly is scheduled to meet again on Monday, June 20, 2005, to resume budget deliberations. The State Senate is scheduled to meet today at 5:00 p.m. to vote on the Budget Bill.

In addition, the Legislative Analyst's Office (LAO) released an analysis of SB 77. According to the LAO, the Budget Bill assumes FY 2005-06 revenues of \$84.4 billion, and expenditures of \$89.2 billion. The \$4.8 billion budget shortfall is funded from the estimated current year reserve leaving a \$1.3 billion reserve by the close of the budget year. A copy of the LAO's analysis is available at: www.lao.ca.gov

The Budget Bill's revenue and expenditure estimates are very close to the Governor's projected revenue and proposed expenditures in the May Budget Revision. The major differences included in SB 77 are attributed to the rejection of the Governor's proposals for: 1) collective bargaining concessions (\$408 million), 2) teacher retirement costs shift (\$469 million), and 3) Vehicle License Fee Loan prepayment (\$568 million). SB 77 also assumes the LAO's estimates of additional ongoing State revenue (\$500 million), additional revenue from local property taxes (\$225 million), and the refinancing of tobacco bonds (\$500 million).

Overall, the Budget Bill estimates a \$1.29 billion reserve at the end of the budget year, in comparison to the Governor's May revision estimated reserve of \$1.41 billion, a difference of \$121 million.

We will continue to keep you advised.

DEJ:GK
MAL:DW:MR:DS:ib

c: Executive Officer, Board of Supervisors
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 Local 660
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 Legislative Strategist
 Coalition of County Unions
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